

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07

L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

SAJ-01 AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01

STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 /092 W

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R 211836Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8544

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

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E.O. 11652: N/A

TAGS: ELAB, UK, PINT, EEC

SUBJECT: FOOT TALKS ABOUT THE EUROPEAN COMMUNITY
AND THE STATE OF THE BRITISH ECONOMY

REF: LONDON'S 2300

BEGIN SUMMARY - MICHAEL FOOT, SECRETARY OF STATE FOR
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EMPLOYMENT, SUGGESTED THE POSSIBILITY THAT THE REFERENDUM

COULD BE DELAYED TO SEPTEMBER IF SOME OF THE MORE STICKY NEGOTIATING POINTS REMAINED BEYOND THE PRESENT LATE JUNE REFERENDUM TARGET DATE. HE BELIEVES THAT THE 'NO' VOTES IN SCOTLAND, WALES AND NORTHERN IRELAND WOULD GAIN THE DAY FOR ANTI-MARKETEERS IN THE REFERENDUM. HE ALSO BELIEVES HAROLD WILSON HAS DONE 'A MAGNIFICENT JOB' IN AVOIDING A PARTY SPLIT OVER EC MEMBERSHIP. FOOT MADE THESE AND OTHER POINTS ABOUT THE EUROPEAN COMMUNITY MEMBERSHIP ISSUE DURING A CALL YESTERDAY (FEB. 20) BY THE CHARGE. HE COMMENTED BRIEFLY ON THE STATE OF THE ECONOMY, WHICH HE ACKNOWLEDGED TO BE 'VERY ALARMING' AND WHILE DEFENDING THE VIABILITY OF THE SOCIAL CONTRACT, DID NOT RULE OUT TOUGH BUDGETARY MEASURES LATER ON IF THE WAGE-PRICE SYSTEM FELL APART. (UNEMPLOYMENT AND LAY-OFFS CONTINUED TO MOUNT IN THE UK - TO BE REPORTED SEPARATELY. END SUMMARY

1. FOOT SAID "THERE COULD BE PROBLEMS" IN COMPLETING THE NEGOTIATING SCHEDULE WHICH COULD FORCE A REFERENDUM DELAY UNTIL SEPTEMBER, SINCE THE INTERVENING SUMMER HOLIDAY PERIOD WOULD PREVENT A JULY OR AUGUST POLL. HOWEVER, THE TARGET DATE STILL REMAINS THE END OF JUNE AND HE THOUGHT THAT EITHER JUNE 23 OR JUNE 26 MIGHT BE THE ACTUAL DATE. FOOT BELIEVES THAT THE VOTE WILL EVENTUALLY BE AGAINST CONTINUED EC MEMBERSHIP. HE SAID THAT THE SCOTTISH, WELSH, AND NORTHERN IRELAND VOTES WILL CARRY THE DAY AGAINST THE MORE LIKELY PRO-EC VOTE FOR ENGLAND. FOOT ALSO SAID THAT CONTRARY TO THE OPINION OF SOME OF HIS COLLEAGUES, HE BELIEVES THERE WILL BE A LARGE VOTE RATHER THAN A MINIMAL VOTE.

2. IN RESPONSE TO THE CHARGE'S QUESTION ABOUT THE REACTION TO A CLOSE VOTE WITH A MINIMAL TURN-OUT OF VOTERS, THE EMPLOYMENT SECRETARY SAID THAT WHILE THERE WILL BE SOME POST-REFERENDUM TENSIONS, A VOTE FOR OR AGAINST WILL EFFECTIVELY DECIDE THE ISSUE ONCE AND FOR ALL. HE LIKENED THE SITUATION TO THE NARROW ELECTION VICTORY OF PRESIDENT KENNEDY IN 1960. FOOT BELIEVES HAROLD WILSON HAS DONE A "MAGNIFICENT JOB" IN KEEPING THE EC ISSUE FROM SPLITTING THE LABOR PARTY. THE REFERENDUM ROUTE, IN HIS LIMITED OFFICIAL USE

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VIEW, PREVENTS A SHARP DICHOTOMY FROM DEVELOPING BETWEEN THE PARLIAMENTARY LABOR PARTY AND THE LABOR PARTY CONFERENCE, SINCE IT ALLOWS "THE PEOPLE TO DECIDE." MOREOVER, THIS APPROACH IS REINFORCED BY THE DECISION OF THE PRIME MINISTER TO ALLOW A "FREE VOTE" IN THE CABINET -- A PROCEDURE WHICH WILL BE CONTINUED, FOOT EXPECTED, DURING THE LABOR PARTY CONFERENCE. (WE ALSO UNDERSTAND THAT THE TUC IS LIKELY TO ACCEPT THIS APPROACH IN ITS OWN REFERENDUM

DELIBERATIONS.) HE EXPECTS THE LABOR PARTY EXECUTIVE TO RECOMMEND THAT BRITAIN LEAVE THE EC AND THAT THE SPECIAL PARTY CONFERENCE WILL APPROVE THIS POSITION, WHILE ALLOWING THE MINORITY TO CAMPAIGN FOR BRITAIN TO STAY IN.

3. FOOT SAID THAT IT IS GENERALLY EXPECTED THAT A CABINET MAJORITY WILL VOTE TO ACCEPT THE TERMS BEING RENEGOTIATED WITH THE EC. HE ADDED THAT IT WAS DIFFICULT TO SPECULATE ABOUT THE SIZE OF THE MINORITY VOTE, APART FROM THE WELL-KNOWN ANTI-MARKETEERS SUCH AS HIMSELF, BENN, SHORE AND CASTLE. HE THOUGHT, FOR EXAMPLE, THAT JOHN MORRIS, SECRETARY OF STATE FOR WALES, WHO SOME EXPECT TO VOTE 'NO IN THE CABINET, MIGHT BE INFLUENCED BY THE PRIME MINISTER. FOOT DID NOT EXPECT ANY DRASTIC SHIFTS IN THE CABINET AS

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A RESULT OF THE EC VOTE, ALTHOUGH HE THOUGHT THERE MIGHT BE SOME CHANGES (PRESUMABLY IN PORTFOLIOS). AS FOR SHIRLEY WILLIAMS, SECRETARY OF STATE FOR PRICES AND CONSUMER PROTECTION, WHO HAS PLEDGED TO RESIGN IF BRITAIN LEAVES THE EC, FOOT SAID: "SHE'S A VERY ABLE MINISTER AND WE ALL WILL CERTAINLY TRY TO PERSUADE HER TO STAY."

4. FOOT EXPLAINED THAT HE SHARED THE VIEWS OF SECRETARY
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OF STATE FOR INDUSTRY ANTHONY WEDGWOOD BENN AND SECRETARY OF STATE FOR TRADE PETER SHORE, BUT HE PROVIDED SOME ELABORATION OF HIS OWN. HE NOTED HIS MOST IMPORTANT OBJECTION -- "THE REAL ARGUMENT" -- RELATES TO THE LOSS OF PARLIAMENTARY CONTROL WHICH IS INHERENT IN BRITISH MEMBERSHIP IN THE COMMUNITY. HE HAD OPPOSED BRITISH MEMBERSHIP FROM THE VERY BEGINNING, IN 1962, AND THEREAFTER, AND HE WOULD HAVE PREFERRED THAT BRITAIN HAD SOUGHT ASSOCIATE MEMBERSHIP IN THE EC -- AN AIM WHICH HE SAID WOULD HAVE BEEN ACCEPTABLE TO GENERAL DE GAULLE. BRITISH PARTICIPATION MEANT THE TRANSFERRAL OF POWER TO BRUSSELS OR, MORE SPECIFICALLY, TO THE COUNCIL OF MINISTERS. "IF THAT WEREN'T THE PURPOSE, THEN WHY HAVE THE COMMUNITY?" HE ASKED. HE SAID THAT THE BRITISH PARLIAMENT HAD STOOD "AGAINST THE BLASTS AND DISASTERS" ACROSS THE CENTURIES. FOR FOOT, PARLIAMENT IS THE MAJOR STABILIZING FORCE IN BRITISH SOCIETY, AND HE ABSOLUTELY DID NOT WANT TO SEE THIS CHANGED. MOREOVER, HE DID NOT WANT TO SEE THE EUROPEAN PARLIAMENT BECOME A FACTOR WITHIN THE BRITISH PARLIAMENTARY DELIBERATIONS ON INDUSTRIAL, REGIONAL OR ECONOMIC ISSUES (OR, PRESUMABLY, ANY OTHER VITAL ISSUES.)

5. FOOT, WHILE STATING HIS BELIEF IN DEVOLUTION, SAID THAT HE IS VERY CONCERNED ABOUT THE BREAK-UP OF THE UNITED KINGDOM. HE BELIEVES THAT THE EUROPEAN COMMUNITY, IN ITS TENDENCY TO CONCENTRATE ITS BENEFICIAL EFFECTS IN SOUTH-EAST ENGLAND AND THE MIDLANDS, THEREBY HIGHLIGHTS THE DISPARITIES BETWEEN ENGLAND AND OTHER SECTORS OF THE UK AND THUS CONTRIBUTES TO THESE CENTRIFUGAL TENDENCIES.

6. THE STATE OF THE ECONOMY - WHILE MUCH OF THE PRESS AND THE OPPOSITION HAS BEEN CHARGING THAT THE MINERS' SETTLE-

MENT (REFTEL) HAD ABROGATED THE SOCIAL CONTRACT, THE EMPLOYMENT SECRETARY STAUNCHLY DEFENDED THE ACCORD. HE SAID THAT IT WAS TRUE THAT THE SOCIAL CONTRACT'S STRICTUR AGAINST WAGE INCREASES EXCEEDING COST OF LIVING RISES WAS IN FACT ABROGATED BY THE SETTLEMENT, BUT MUCH WAS GAINED FROM IT. HE EMPHASIZED THAT THE GOVERNMENT HAD SUCCESSFULLY STAVED OFF A STRIKE AND THE MORE EXTREME DEMANDS (EMANATING FROM SOME ELEMENTS OF THE NATIONAL UNION OF MINeworkERS), THAT THE FINAL SETTLEMENT WAS AT LIMITED OFFICIAL USE

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THE FIGURE THE GOVERNMENT HAD BEEN PREPARED TO ACCEPT, AND THAT THE ECONOMY WAS NOW ASSURED OF AN UNINTERRUPTED COAL PRODUCTION. HE IS HOPEFUL, ALTHOUGH HE DID NOT APPEAR BY ANY MEANS CERTAIN, THAT THE RAILWAY WORKERS AND THE POWER WORKERS CLAIMS WOULD BE KEPT WITHIN BOUNDS (ALTHOUGH THE NEW GENERAL SECRETARY OF THE NATIONAL UNION OF RAILWAYMEN, SIDNEY WEIGHELL, HAS VOWED TO MATCH SOME ESSENTIAL PARTS OF THE MINERS' DEAL AS HAD THE LEADER OF THE ELECTRICAL, ELECTRONIC TELECOMMUNICATION AND PLUMBING UNION, FRANK CHAPPLE.

7. FOOT STILL BELIEVES THAT THE SOCIAL CONTRACT IS A VIABLE INSTRUMENT, THE ONLY VIABLE INSTRUMENT THE GOVERNMENT HAS TO DEAL WITH THE ECONOMY. HE SAID IT WOULD BE IMPOSSIBLE FOR THE GOVERNMENT TO RESORT TO STATUTORY CONTROLS "WHICH FAILED TWICE BEFORE," ALTHOUGH HE SAID THAT THERE WERE SOME MEMBERS OF THE CABINET WHO HAD CONSISTENTLY SUPPORTED CONTROLS. ON THE OTHER HAND, HE RECOGNIZED THE "VERY ALARMING ECONOMIC SITUATION, UNDER LINED BY THE LATEST REPORTS ON MOUNTING UNEMPLOYMENT (NOW AT THE 3.4 PERCENT MARK) AND LAY-OFFS, PARTICULARLY AMONG SOME OF THE BIG AUTOMOBILE EMPLOYERS SUCH AS FORD, ALTHOUGH HE NOTED THAT BRITISH UNEMPLOYMENT WAS LOWER THAN ALL THE OTHER EC COUNTRIES, AND CERTAINLY THE US. BUT FOOT BY NO MEANS ATTEMPTED TO DENY THE SERIOUSNESS OF THE PROBLEM AND INDICATED THAT THE GOVERNMENT MAY VERY WELL DECIDE LATER IN THE YEAR TO USE RESTRICTIVE BUDGET MEASURES (TAXATION IN PARTICULAR) TO STEM THE INFLATIONARY PRESSURES. THE CHARGE EMPHASIZED THAT, GIVEN THE VITAL ECONOMIC PROBLEMS IN COMMON - IT WAS OF VITAL IMPORTANCE THAT THERE BE CLOSE CONSULTATION BETWEEN THE US AND THE UK, AND THE EMPLOYMENT SECRETARY READILY AGREED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, MEMBERSHIP, PARTY UNITY, SPECIAL ELECTIONS, SPEECHES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON02752
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750063-0443
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750224/aaaaavde.tel
Line Count: 273
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LONDON'S 2300
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by KelleyW0>; APPROVED <19 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOOT TALKS ABOUT THE EUROPEAN COMMUNITY AND THE STATE OF THE BRITISH ECONOMY
TAGS: ELAB, PINT, UK, EEC, (FOOT, MICHAEL)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006